



We will establish a stable earnings structure through the execution of our medium-term management plan.

For the first year of our medium-term management plan, “NEXT 100: Beyond 100 years, Ver. 2,” we have successfully increased orders received and net sales, and made steady progress towards the strengthening of our management foundation. In the following interview, I will hereby explain our progress so far.

President **Kenzo Terashima**

Q Please tell us about the business conditions of fiscal 2016.

A We have achieved net sales of over 40.0 billion yen. Despite a slight decrease in operating income, net income increased.

For the business conditions of this fiscal year, we achieved an increase in orders received for all three segments compared with the previous fiscal year. Net sales also increased, led by the solid sales of the Transportation Systems and the Information Equipment Systems segments. Our consolidated financial results are as follows: orders received was 43.3 billion yen, net sales was 40.6 billion yen, both record-high since 2000. Operating income declined due to the decrease in sales of the Industrial Systems segment, despite strong sales in the Transportation Systems and Information Equipment Systems segments. Ordinary income and net income attributable to owners of the parent turned to an increase year on year, due to decreased exchange losses compared to the previous fiscal year. Furthermore, the ratio of overseas net sales were 31.1%.

Looking at it segment by segment, the Transportation Systems segment has seen a decrease in orders received for products for the high-speed railroads in China due to the transition to new vehicle models. However, orders received increased mainly for private railway companies in Japan which are enjoying robust results. Net sales and segment profit both increased compared to the previous fiscal year. The success of the Bus Systems segment in Japan, operated by our subsidiaries, also contributed to this.

In the Industrial Systems segment, despite the fact that orders received increased for processing machinery, as well as for products aimed at overseas markets such as Southeast Asia and South Korea, it declined overall due to the decrease in orders for testing equipment for automobile development. On top of the effects of the decline in segment profit, more man-hours were required than anticipated for product design

in raising the performance of testing equipment for automobile development and their application to automobile component manufacturers. This affected profitability and led to a significant segment loss. However, the technology and expertise gained from the endeavor are anticipated to be extremely useful in the future expansion of the market.

In the Information Equipment Systems segment, orders received, net sales, and segment profit all increased significantly due mainly to large orders for commuter pass vending machines, which are composite ticket vending machines capable of issuing a variety of tickets.

Q Please tell us about the progress of the medium-term management plan.

A We are steadily establishing a management foundation, supported by the strengthening of our international competitiveness and the restructuring of our production systems.

Following the launch of our three-year medium-term management plan “NEXT 100: Beyond 100 years” in fiscal 2014, we have revised the plan in response to changes in business conditions into “NEXT 100: Beyond 100 years, Ver. 2” in fiscal 2016. In the two-year period up to fiscal 2017, we plan to promote the construction of a management foundation through policies such as “strengthening our international competitiveness,” “restructuring production systems” and “developing new technology and businesses” towards future astounding progress, while putting emphasis on the building of a stable business earnings structure.

Due to the market environment, it may prove difficult for us to achieve the financial numbers set as the target of the final year of the plan. However, solid progress has been made with regard to the construction of a management foundation, as stated below.

With regard to “strengthening our international competitiveness,” we have accelerated the development in China in the Transportation Systems segment, and successfully implemented measures to capture the demand brought about by the introduction of standard vehicles for high-speed railways, as well as expanded the maintenance business for electrical equipment for Beijing Subway vehicles. Going forward, we are considering expanding the area of the subway-related business from Beijing to Chengdu, and working towards locally producing pantographs. Moreover, besides China, we are working on an approach to take advantage of the expansion of markets such as India and the ASEAN region.

On the other hand, in the Industrial Systems segment, the representative office in Thailand set up in 2014 is beginning to show results, yielding increased orders in generators and processing machinery in Asia. We have also strengthened our approach toward testing equipment for automobile development, selling them not only to manufacturers of finished vehicles but also to those of components.

With regard to “restructuring production systems,” our main focus, the construction is progressing smoothly for the new factory of the Industrial Systems segment, Shiga Ryuo Plant, that combines both production and development. The construction is expected to be completed in January 2018, and full operations are to commence in June 2018. Currently, by consolidating development, design, and production functions divided between the Yokohama and Shiga Prefectures, we are working to raise the productivity rate by over 30%. At the same time, we plan to expand our business field and increase net sales through expanding our motor and inverter product lineups, as well as through enhancing product quality such as by adding value to our generators.

Furthermore, alongside the production integration of the Industrial Systems segment centered on Shiga Ryuo Plant, we are working on the restructuring of the production line of Yokohama Works in an aim to strengthen its production capabilities of the Transportation Systems segment.

With regard to “developing new technology and businesses,” we are examining the future growth area of the Transportation Systems and Industrial Systems segments, such as inverters employing silicon carbide devices that contribute to space-saving and energy-saving of rail vehicles, multi-function test equipment compatible with tests for EV and HEV, as well as power generation systems that support the effective use of natural energy. We are currently working on development projects as the stepping stones for these areas.

In the coming fiscal year (fiscal 2017), we plan to link the results of the aforementioned establishment of a management foundation towards the completion of the medium-term management plan. We anticipate increases in both earnings and profit for the consolidated financial results of the coming fiscal year, with increased order backlogs of all three segments and a further rise in orders received.

Q Please tell us any comments you would like to make to the shareholders.

A Looking towards the 100th anniversary of our foundation and beyond, we are working to create a Toyo Electric Group suited to the new age.

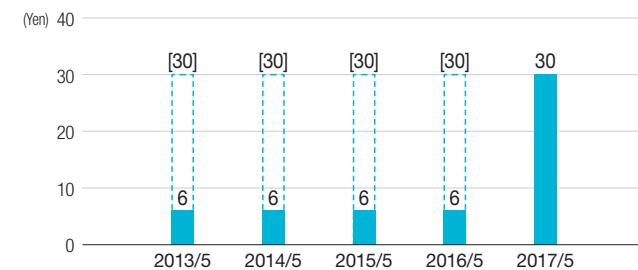
Concerning year-end dividends for this fiscal year (fiscal 2016), we have decided upon 30 yen per share. We have implemented a reverse stock split of 5 shares into 1 share on December 1, 2016. Year-end dividends for this fiscal year is on the same scale as that of fiscal 2015, at 6 yen per share.

We are celebrating the Company's 100th anniversary on June 20, 2018. In our medium-term management plan, “NEXT 100: Beyond 100 years, Ver. 2,” we look towards the anniversary and beyond, and work to create a Toyo Denki Seizo Group suited to the new age. Through

these measures, we plan to secure our position as a specialized manufacturer by expanding our business globally, alongside striving to enhance the profitability of our business. Going forward, we will further focus on the passing-on of expertise and skills which make up the core of our business, while cultivating human resources, aiming to form a corporate group that grows consistently and sustainably.

We hope that our shareholders look forward to the continued growth and expansion of the Company's business and we would like to ask for their continued support.

■ Dividends per share



* A reverse stock split of 5 common shares into 1 was conducted on December 1, 2016. Dividends before fiscal 2016 are stated in their actual amounts before the reverse stock split. The amounts in brackets (“[]”) are those after the reverse stock split.

Construction Status of Shiga Ryuo Plant as of July 2017



Commencement of construction of a new production base in Ryuo Town, Shiga Prefecture

Restructuring production systems

We commenced the construction of a new production base in Ryuo Town, Shiga Prefecture this March. Building this new production base is one of the core measures of our medium-term management plan, “NEXT 100: Beyond 100 years, Ver. 2,” implemented as a foothold to expand our business scale as well as to establish a stable business earnings structure.

At the new production base, we aim to increase production efficiency by grouping up the previously scattered production bases of the Industrial Systems segment, alongside working towards the expansion of our business areas and increase of sales through the strengthening of our research and development function.

Our coming schedule

The construction of the new production base is progressing as planned, and we are smoothly reaching a turning point towards its completion in January 2018. We plan to start working on the relocation and installation of production equipment after completion, and commence partial operation in March 2018. Full-scale operation is expected in June of the same year, coinciding with our 100th anniversary of foundation.

At the same time, we plan to increase the productivity of Yokohama Works, the production base of the Transportation Systems segment. Through expanding both of our core segments, the Industrial Systems segment and the Transportation Systems segment, we plan to achieve further growth.

Overview of the new factory

Name	TOYO DENKI SEIZO K.K. Shiga Ryuo Plant
Location	2911-6 Oaza Okaya Ryuo Town, Gamo District, Shiga Prefecture (Shiga Ryuo Industrial Park vicinity)
Land area	Approx. 32,706 m ²
Total floor area	Approx. 19,997 m ²
Total investment amount	Approx. ¥7.0 billion (Land, buildings, equipment)
Financing plan	Self-financing and loans
Products	Products for Industrial Systems segment (Industrial motors and inverters, etc.)